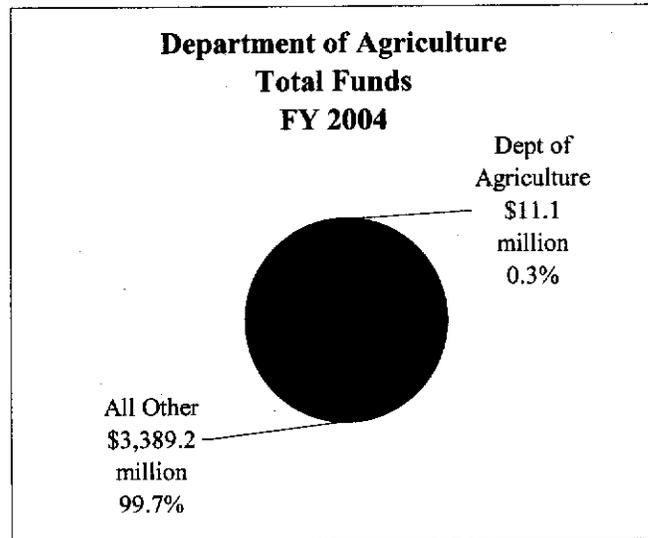
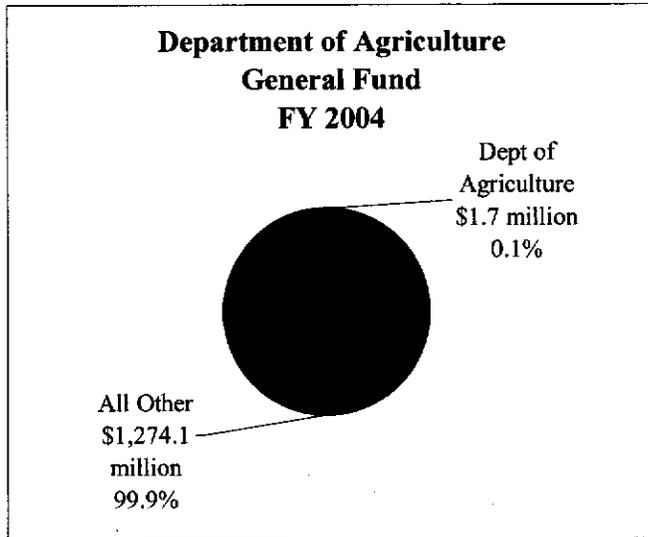


Department of Agriculture Agency Profile



WHAT DOES THE AGENCY DO?

The Department of Agriculture, required by Article XII, Section 1, of the Montana Constitution, exists to promote the interests of agricultural and allied industries in Montana. To this end, the department:

- o Strengthens and diversifies the Montana agriculture industry through private-public partnerships
- o Collects and publishes agricultural production and marketing statistics relating to agricultural products
- o Assists, encourages, and promotes the organization of farmers institutes, agricultural societies, fairs, and other exhibition of agriculture
- o Adopts standards for grade and other classifications of farm products
- o Coordinates the planning and maintenance of economical and efficient marketing distribution systems
- o Gathers and distributes marketing information concerning supply, demand, price, and movement of farm products
- o Regulates production and marketing of food and fiber products
- o Registers pesticides and fertilizers and enforces laws pertaining to them

How Services Are Provided

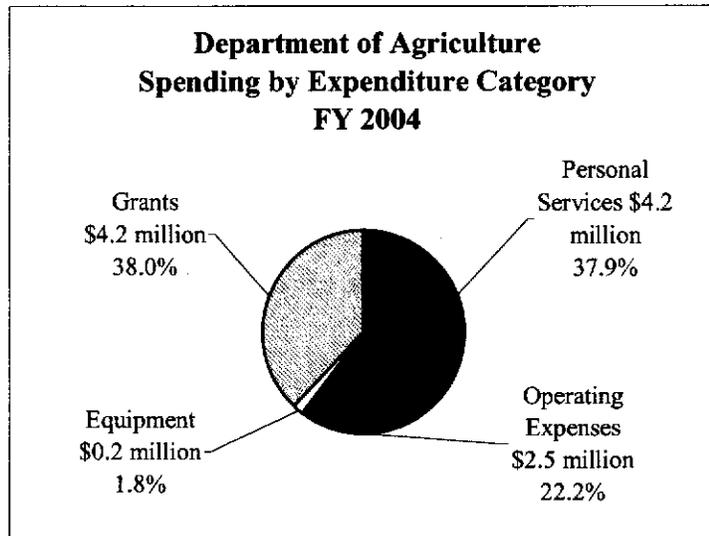
The Department of Agriculture is organized into three divisions and a number of bureaus that perform the following program functions:

1. **Agricultural Development Division** works to promote and enhance growth and expansion of Montana agriculture, at both the producer level and the processing/manufacturing level
 - o State Grain Laboratory is an independent grain testing lab to support commerce between producers and buyers
 - o Hail Insurance program provides affordable hail loss protection for agriculture producers
 - o Wheat and Barley programs protect and foster wheat and barley industry through research and marketing

- Agricultural Statistics programs compile and publish pertinent data and statistics to support agricultural decision making
 - Agricultural Marketing programs provide marketing, market research and promotion assistance for agriculture products
 - Agricultural Development Council provides financing (grants and loans) for producers and support value-added agriculture processing
 - Administration provides comprehensive administrative support for division programs
2. **Agricultural Science Division** – to support agriculture through regulation, certification, research, inspection and licensing related to environmental and consumer protection. Three bureaus (Analytical Laboratory, Technical Services and Field Services) deliver the following program functions:
- Pesticide Management program protects the environment and consumers from dangers of pesticide via inspection, education and licensing
 - Groundwater Management program works to protect groundwater from chemical contamination via inspection, education and licensing
 - Produce Inspection and Certification program monitors and enforces correct produce labeling and handling, and facilitates export trade
 - Feed and Fertilizer programs works to protect consumers by ensuring proper labeling and handling of fertilizer and feed, via inspection and licensing
 - Agriculture Commodities program – protect producers by inspecting and licensing commodity dealers, warehouses and nurseries
 - Noxious Weed Management program – provide education and grants to support eradication of noxious weeds and weed free forage
 - Organic certification program works to promote and certify organic agriculture production for domestic and export commerce
 - Administration provides administrative support for division programs
3. **Central Management Division** responsible for budgeting, accounting, payroll, and other administrative functions to support all department operations

The Department of Agriculture provides services through both the employment of state FTE (personal service costs are 42 percent), and by funding service delivery through grants (40 percent of costs are grants). The largest FTE driven programs involve laboratory staff and science based positions involved with pesticide and groundwater management programs (education, technical assistance, testing, and licensing). The primary grant driven programs include noxious weed management, which mostly funds county-level efforts to eradicate weeds, and development grants in Growth Through Agriculture.

Most Department of Agriculture programs are delivered with the guidance and participation of constituent organizations that have a stake in the department mission. Therefore, there are a number of advisory councils and boards working with department FTE.



How Services are Funded

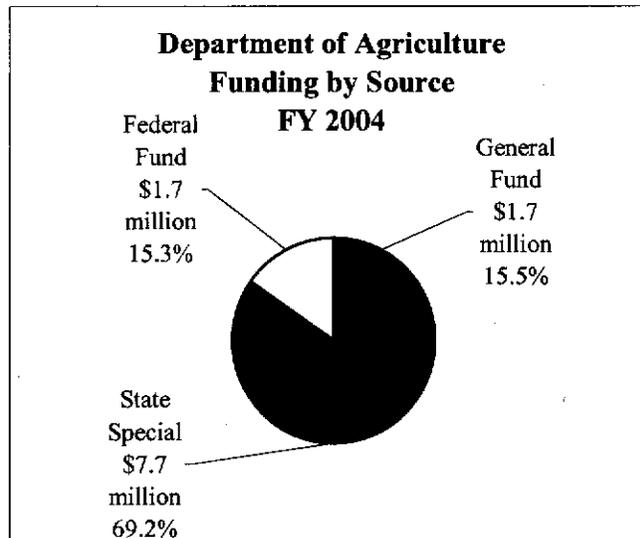
The Department of Agriculture is primarily funded from state special revenue, which includes producer fees for licensing and inspection, income-tax check off by producers, noxious weed administration funds (from automobile registration fees), and coal severance tax shared revenue to support development, among the largest sources.

Federal special revenue supports promotions and marketing programs.

General fund primarily supports production of the annual statistics bulletin, noxious weed management, agriculture promotions, and administration.

Statutorily funded programs include Growth Through Agriculture, which receives a share of the coal severance tax revenues.

While not shown in the table proprietary type enterprise funds support the Hail Insurance Program and related administrative support in the Central Management Division.



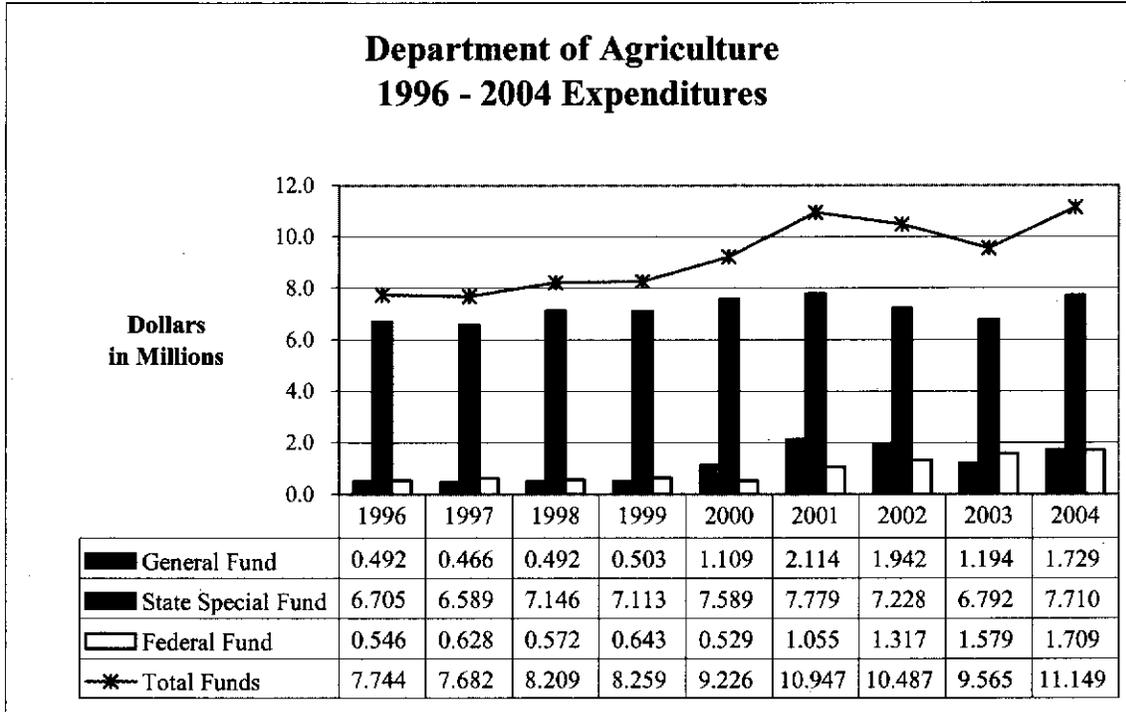
Related Data and Statistics

The following lists several pertinent statistics related to Department of Agriculture functions and/or customers.

<i>Element</i>	<i>2004</i>	<i>Significance of Data</i>
Number/Dollar Amount of Growth Through Ag. Grants/Loans	\$792,727	Indicates demand for program and impact on agriculture economy
Total Amount of charge for services in the state Grain Lab	\$341,000	Indicates demand for this service and revenue levels
Number of acres in agriculture production in Montana	56.7 million	Indicates size of agriculture economy
Number of farms/ranches in Montana	28,000	Indicates size of agriculture constituency
Wheat area harvested	5 mil acres	Indicates size of agriculture land in Montana
Number of organic producers	105	Indicates demand for certification program

Expenditure History

The graph below illustrates department expenditure history from 1996 through 2004.



Dept of Agriculture		
Fund	Percent of Total (2004)	Average Growth (1996 - 2004)
General Fund	15.5%	17.0%
State Special Fund	69.2%	1.8%
Federal Fund	15.3%	15.3%
Total Funds	100.0%	4.7%

REASONS FOR EXPENDITURE GROWTH/CHANGE

In FY 2000 and 2001 there is a \$500,000 per year spike in general fund expenditures due to:

- o The 2001 biennial appropriation of \$1.0 million for the Agricultural Heritage Preservation Program to support purchasing land easements and expenses for the preservation council.
- o Moderate increases to support computer technology upgrades in the Central Management Division.
- o Following that two-year spike, general fund expenditures decline but do not return to the 1999 level, as two biennial appropriations in 2003 keep expenditures higher in the Agricultural Sciences Division:
 - o A one-time-appropriation of \$100,000 per year for noxious weed management.
 - o A one-time-appropriation for \$42,000 per year to support the new organic certification program (this expenditure is moved to state special funding in the subsequent biennium).
- o In FY 2002 and 2003 there is a spike in federal special fund expenditures due to federal support of noxious weed management in areas affected by the wildfires of 2000. These are primarily pass-through funds, granted by the department to local communities for weed management activities.

Agency Functions, State Purposes Served, and Customers

The Department of Agriculture is structured to perform certain functions in support of general state government purposes. The following lists the major functions, purpose of provision of the functions, and primary customers served.

<i>Overarching Policy Objectives</i>	<i>Major Agency Functions</i>	<i>Customers</i>
<i>Consumer/Citizen Protection</i>	Pesticide management programs	Producers and general public
	Commercial feed/fertilizer inspections	Producers and general public
	Produce standards and inspections	Consumers
	Ag. Commodities and nursery inspections	Consumers
<i>Economic/Business Development</i>	Rural development and finance programs	Agriculture producers
	Hail insurance programs	Agriculture producers
	Agriculture statistics bulletin	Agriculture producers
	Agriculture research and marketing	Agriculture producers
	State grain laboratory	Grain growers
	Wheat and barley research and marketing	Grain growers
	Growth through agriculture (grants/loans)	Agriculture business ventures
	Organic certification program	Producers, grocers & consumers
	Rural cooperative development center	Community business ventures
<i>Protect, Enhance, Remediate Natural Resources</i>	Noxious weed management program	General public
	Groundwater management program	Consumers and general public
<i>General Operation of State Government</i>	Administrative support	Department of Agriculture

HOW CAN THE LEGISLATURE EFFECT CHANGE?

In order to change expenditure levels and/or Department of Agriculture activity, the legislature must address one or more of the following basic elements that drive most department costs.

- o Grant and Loan/Financing program priorities – with 40 percent of all department expenditures coming in the form of grants (noxious weed management and Growth Through Agriculture), changes to the funding priorities will have a major impact on overall expenditures. Such changes may include defining eligibility criteria, identifying specific projects that are preferred and setting minimum or maximum amounts for grants. In addition, in Growth Through Agriculture there is the option of moving to a higher proportion of loans rather than grants.
- o Economic development objectives – a primary function of the department is to administer programs that have an impact on expanding the agriculture economy. These economic development programs can be designed or amended by legislation that more clearly defines specific objectives, such as creating a specific number, type or wage level job, or creating a specific number or type of agriculture business enterprise.
- o Groundwater and Pesticide Management programs – these environmental protection programs are a function of regulations (federal and state) that govern the use of pesticide and fertilizer, and the acceptable levels of contaminants. The definitions of these regulations and the contamination levels

may be addressed in order to have an impact on these programs, although federal regulations must be kept in mind.

- o Food inspection and regulation – these consumer protection programs are a function of regulations (federal and state) which can be changed or redefined in order to change program activities.
- o General fund expenditures - while general fund remains a small percentage of department expenditures at 8 percent, a portion of these funds are used for administrative and printing costs, that may potentially have alternative funding or production options (i.e. proprietary funding of Central Management Division and electronic production/distribution of annual statistics bulletin).

Statewide Factors with Impact

In addition to the factors above, a number of factors common to many agencies will also impact changes in expenditures over time.

- o State FTE - state employees perform many of the functions of the Department of Agriculture, as contract services account for just 6.2 percent of on-budget expenditures. Therefore, any decisions that change FTE will have a direct and immediate impact on the ability to deliver services/functions by the department. Since personal service costs account for 43 percent of on-budget expenditures, these costs will be a primary driver of total department costs. Factors affecting personal service costs include:
 - o Professional/technical/educational requirements of FTE job descriptions;
 - o Cost of benefits;
 - o Years of service or longevity.

Statutory References

The primary statutory references defining Department of Agriculture duties and responsibilities are found at the following locations:

Montana Constitution, Article XII, Section 1